

Cyngor Cyllido Addysg  
Uwch Cymru  
Higher Education Funding  
Council for Wales

Cwrt Linden  
Clos Ilex Llanisien  
Caerdydd CF14 5DZ  
Ffôn 029 2076 1861  
Ffacs 029 2076 3163  
www.hefcw.ac.uk

Linden Court  
Ilex Close Llanishen  
Cardiff CF14 5DZ  
Tel 029 2076 1861  
Fax 029 2076 3163  
www.hefcw.ac.uk

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Cylchlythyr

Circular

## Guidance for Internal Auditors to use in their Annual Internal Audit of HE Data Systems and Processes

**Date:** 18 October 2011  
**Reference:** W11/36HE  
**To:** Heads of higher education institutions in Wales  
Principals of directly-funded further education institutions  
in Wales  
Internal auditors of higher education institutions or directly  
funded further education institutions in Wales  
**Response by:** 31 May 2012  
**Contact:** Name: Hannah Falvey  
Telephone: 029 2068 2240  
Email: hestats@hefcw.ac.uk

This circular provides guidance for internal auditors to use in their annual  
internal audit of HE data systems and processes.

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## Introduction

- 1 This circular provides guidance to the internal auditors of higher education institutions (HEIs) and directly funded further education institutions (FEIs) to use for their annual internal audit of the internal controls relating to the systems and processes in place to produce higher education (HE) funding data returns, and requests a copy of this internal audit report for each institution.
- 2 The Higher Education Funding Council for Wales (HEFCW) circular W07/17HE described the new process by which data used to calculate funding allocations, and the systems and processes used to produce the data, are to be audited. The new process replaced the annual audit of data returns by each institution's external auditors, with an external audit, commissioned by HEFCW, at each institution at least once every five years. In addition, in order to maintain an adequate level of annual assurance in respect of institution's data returns, HEFCW is relying on the assurance provided to institutions and their Audit Committees by their internal auditors in respect of the controls operating to manage the risks relating to the accuracy of data.
- 3 The internal audit will provide an opinion as to the adequacy and effectiveness of the controls in place to manage the risks relating to the accuracy of the data submitted by the institution to be used in calculations for the following funding streams:
  - Teaching funding (including per capita and premium funding);
  - Postgraduate research (PGR) training funding;
  - Quality research (QR) funding;
  - Innovation and Engagement (I&E) Fund.
- 4 In addition, the internal audit should provide assurance over the controls in place to ensure the accuracy of data used in the monitoring of key performance indicators including the For our Future indicators and data included by institutions in their fee plans from 2012/13 onwards.
- 5 This document provides guidance to the internal auditors about the nature of the controls that their audit should address to assess whether the systems and processes are adequate to provide accurate data returns and data to use in monitoring and also to ensure that internal audits taking place across the sector are carried out on a consistent basis.
- 6 If the internal audit report's overall conclusion, or the conclusions relating to the adequacy of the design of the methods of control and the application of those controls, provides a negative opinion (e.g. limited or no assurance, unsatisfactory or inadequate controls) and/or the report includes a significant number of recommendations, an external audit will be commissioned by HEFCW. This external audit will consider the accuracy of data for the current period and also consider the findings of

the internal auditor and aim to assess the extent of potential errors in the data returns and data used for monitoring for prior periods up to the last external audit. The findings of the external audit may result in adjustments to funding.

## **Funding and Monitoring Methodology**

- 7 Outlines of the methodology used to calculate the formula driven elements of funding for teaching, PGR training, QR funding and the I&E Fund, are given in Annex A. Annex B contains the criteria for inclusion of data in the allocations of per capita, premium and PGR training, and some elements of the I&E Fund. The criteria for inclusion of data in the monitoring of the For our Future indicators are outlined in Annex C. Annex D contains a summary of the recommendations of the most recent external and internal audits.

## **Scope of the Audit**

- 8 The way in which internal audit work and controls testing is carried out at each institution will depend on the systems and controls in place and how information is shared within the institution. However, it is expected that the internal audit work will cover the elements highlighted in this document. Where previous internal audit work has found that the systems and controls in place are satisfactory, it may be considered appropriate by the institution's Audit Committee for subsequent audits to only cover areas of risk (see also paragraph 29).
- 9 Auditors should ascertain the processes by which data returns and monitoring information are compiled and document them to the extent necessary to enable an evaluation to be made of the adequacy of the existing controls used by the institution to ensure that they produce accurate data returns and appropriately compile monitoring data. Examples of the controls that the audit would normally be expected to assess are set out for all the funding streams, data returns and other areas of audit in paragraphs 14 to 25. Many of the controls are common to the data returns for all areas of audit. However, not all of the areas of audit apply to all institutions, and auditors should refer to the relevant paragraphs.
- 10 Auditors should note that there are some areas where institutions may have to return estimates, where information is not known at the time of return or information is not available in the required form. Estimates can be made using methods suggested by HEFCW in its guidance, or if appropriate, institutions can use their own methods. Where estimates have been made, auditors should review the methods used to calculate them, confirm that they are properly documented, reasonable, consistently applied and tested for reliability.

- 11 If an institution is in the process of merging with one or more other institutions, the auditor should ascertain if procedures have been put in place to integrate their data systems or otherwise ensure that returns for the whole institution can be made post-merger.
- 12 In planning the audit, the Auditor should consider the findings and conclusions of the latest external and/or internal audit reports relating to systems and data returns for the institution and any follow up reports and correspondence with management to assess the extent of implementation of the reports' recommendations. It is expected that the audit reports will make reference to and comment upon the extent that recommendations made by auditors in the previous internal or external audit reports have been effectively implemented.
- 13 All HEFCW circulars described below are available under 'publications' on the HEFCW website, [www.hefcw.ac.uk](http://www.hefcw.ac.uk).

### Teaching funding

- 14 2011/12 teaching funding comprises:
  - Funding allocated through the teaching funding method;
  - Part-time premium funding;
  - Per capita funding;
  - Access and retention premium funding;
  - Disability premium funding;
  - Welsh medium premium funding.
- 15 Funding allocated through the teaching funding method is based on credit value data returned on the Higher Education Students Early Statistics (**HESES**) survey (latest version – HEFCW circular W10/34HE). The part-time premium is allocated as a percentage on the funding allocated to part-time provision through the teaching funding method. Adjustments to funding are calculated using data taken from the End of Year Monitoring of Higher Education Enrolments (**EYM**) survey (latest version – HEFCW circular W11/26HE).
- 16 Testing of the systems and processes used to generate figures returned on the **HESES** and **EYM** surveys should aim to answer the following questions:
  - Is the latest HEFCW guidance being utilised and adhered to, in particular, have changes from previous surveys been noted and appropriately implemented?
  - Are data on the records system validated (e.g. a comparison of a sample of enrolment forms with data on the system)?

- Is the method of extraction of data used to make the returns documented?
- Is there an adequate audit trail to confirm that the data extraction method is being applied as documented?
- Are details of any manual amendments documented, with justification and/or appropriate authorisation of the changes?
- Is a copy kept of the data taken from the system to make the return?
- Is the final return checked against data on the system prior to submission and is there adequate evidence of this checking process?
- Is the verification approved and signed off by an appropriate person?
- Are the staff resources available, taking into consideration experience and expertise, adequate to ensure that the data returns are accurately prepared?
- Is the documentation of the system and staff resource sufficient to ensure that accurate data returns could be prepared even in the absence of some key staff?
- Is there a risk register in place and are the risks relating to the compilation of accurate data returns, and related controls to manage these risks, adequately assessed and documented together with details of planned action to be taken, where relevant, to strengthen the existing controls?
- Are returns scrutinised before submission by suitably experienced members of staff other than those compiling the return?
- Is a summary report of the data returned presented to the institution's senior management team (e.g. the total numbers of credits and students by mode and level with comparisons to prior years and/or other returns)?
- Is there a suitable process in place to ensure that staff who provide information (e.g. in departments) and staff compiling the return liaise as necessary to ensure that the most up to date information available relating to the survey period is included in the return?
- Is there evidence that validation and credibility checks are completed before returning data (e.g. scrutinising the credibility checks provided by HEFCW on the Excel spreadsheets; comparing EYM returns against HESES returns made earlier in the academic year; use of control totals)?
- Are there procedures for determining the fundability status of students and are checks made on fundability status (e.g. for students on places funded through the Universities of the Heads of the Valleys Institute (UHOVI) initiative or foundation degree provision funded by the Wales European Funding Office (WEFO) which are non-fundable; or for modules taken through APEL)?

- Is the method for assigning JACS subject codes to modules and hence categorising credits into Academic Subject Categories (ASCs) documented and reasonable?
- Is there an adequate audit trail to confirm that the method for categorising credits into ASCs is being applied as documented?
- Are processes used to calculate estimates (e.g. non-completion rates) reasonable and documented, and is their reliability tested?
- Do processes ensure that evidence of enrolment and attendance available is complete and retained as part of the audit trail (e.g. enrolment forms, online enrolment records, module choice forms)?
- Are franchised out students correctly identified as such on the system, and not, for example, as distance learning students (where distance learning students are those that are students of the reporting institution, where staff employed by the reporting institution are responsible for providing teaching, but who are located away from the reporting institution and are not part of a franchising arrangement with another institution or organisation)?
- Are arrangements with franchise partners documented and are there controls in place to ensure that only the franchisor institution returns the provision?
- If the institution is the lead institution of an ITT School, for the purpose of returning data to HEFCW about ITT (QTS) provision, is there a process in place to receive data about ITT (QTS) provision from the partner institution?
- If the institution is part of an ITT School but does not return data directly to HEFCW about ITT (QTS) provision, is there a process in place to provide correct data to the institution that returns data to HEFCW for the whole school?
- If the institution has recently been formed from a merger are the data systems in place sufficiently integrated to enable the institution to make HESES and EYM returns for the whole institution?

17 For HEIs, per capita and premium funding is based on data taken from the Higher Education Statistics Agency (**HESA**) student record (coding manuals and guidance are available on the HESA website – [www.hesa.ac.uk](http://www.hesa.ac.uk)). For FEIs, funding is based on data taken from the Lifelong Learning Wales Record (**LLWR**) (coding manuals and guidance are available on the Welsh Government website [www.wales.gov.uk](http://www.wales.gov.uk)) for per capita and access and retention premium funding; funding for the Welsh medium premium and the disability premium is based on returns made directly to HEFCW. In addition to HESA and LLWR data, data relating to students eligible for the Assembly Learning Grant is used in the allocation of the access and retention premium, but is outside the scope of the audit. The part-time premium calculations do not use HESA or LLWR data (see paragraph 15).

18 The fields and criteria used to extract data from the records are detailed in the Higher Education Data Requirements circular (latest version - HEFCW circular W11/05HE). Testing of the systems and processes used to make these returns should aim to answer the following questions:

**HESA returns:**

- Do the controls include quality checks on individualised data prior to submission to HESA, in particular for data fields used in funding (e.g. checks that home postcodes have been correctly transcribed; fundability status is correct; those in receipt of disabled students' allowance (DSA) are recorded as such)?
- Where errors were identified in prior returns, by HEFCW, HESA or the institution, through audit or otherwise, particularly those which led to reductions in funding, have processes been implemented to address these data errors?
- Where errors have been identified in prior returns, are the relevant data checked prior to final submission of data to HESA to confirm that the error has not reoccurred?
- Are summaries of HESA data checked against EYM returns for consistency and credibility?
- Is there evidence that the check documentation and IRIS output, produced by the HESA data returns system after committing data, is scrutinised, and that any resulting issues are addressed?
- Is a copy kept of the final data submitted to HESA?
- Is the method used to calculate the proportion of a module taught through the medium of Welsh documented, reasonable and consistently applied?
- Are the staff resources available, taking into consideration experience and expertise, adequate to ensure that the data returns are accurately prepared?
- Is the documentation of the system and processes and the staff resource sufficient to ensure that accurate data returns could be prepared even in the absence of some key staff?
- Is there a risk register in place and are the risks relating to the compilation of accurate data returns, and related controls to manage these risks, adequately assessed and documented together with details of planned action to be taken, where relevant, to strengthen the existing controls?
- Are returns scrutinised before submission by suitably experienced members of staff other than those compiling the return?
- Is a summary report of the data submitted to HESA presented to the institution's senior management team (e.g. numbers of students by mode and level and/or course and subject with comparisons to prior years and/or other returns)?

- Are the HEFCW confirmation reports checked against data submitted to HESA to ensure that the HEFCW reports are accurate according to HEFCW criteria?
- If the institution has recently been formed from a merger are the data systems in place sufficiently integrated to enable the institution to make a HESA student record return for the whole institution?

**LLWR** returns:

- Do the controls include quality checks on individualised data submitted to the LLWR prior to extraction by HEFCW of data used for funding purposes, in particular for data fields used in funding (e.g. checks that home postcodes at the start of the learning programme have been correctly transcribed; level of study of learning programme is correct; mainstream funding for the learning activity is correct)?
- Is the latest HEFCW guidance on completing the LLWR adhered to (e.g. that the correct HE course structure is returned with the course returned as a learning programme and the modules as learning activities)?
- Where errors were identified in past data, by HEFCW, WG or the institution, through audit or otherwise, particularly those which led to reductions in funding, have processes been implemented to address these data errors?
- Where errors were identified in past data are the relevant data checked prior to submitting data to the LLWR which HEFCW will extract for funding purposes to confirm that the error has not reoccurred?
- Are summaries of the LLWR data checked against EYM returns for consistency and credibility?
- Is a copy kept of the data submitted to the LLWR, at the time that HEFCW will extract data used in funding?
- Are the methods used to extract data relating to modules available through the medium of Welsh and students in receipt of DSA documented and reliable?
- Are the staff resources available, taking into consideration experience and expertise, adequate to ensure that accurate HE data are submitted to the LLWR?
- Is the documentation of the system and processes and the staff resource sufficient to ensure that accurate HE data can be submitted to the LLWR even in the absence of some key staff?
- Is there a risk register in place and are the risks relating to the return of HE data on the LLWR, and related controls to manage these risks, adequately assessed and documented together with details of planned action to be taken, where relevant, to strengthen the existing controls?
- Is a summary report of HE data submitted to the LLWR presented to the institution's senior management team (e.g.

numbers of students by mode and level and/or course and subject with comparisons to prior years and/or other returns)?

- Are the HEFCW confirmation reports checked against data submitted to the LLWR to ensure the HEFCW reports are accurate according to HEFCW criteria?
- Where, in addition to their directly funded provision, the FEI franchises provision in, are there controls in place to ensure that only the franchisor institution returns the provision and that the provision is not also returned on the LLWR?
- If the institution has recently been formed from a merger are the data systems in place sufficiently integrated to enable the institution to make a LLWR return for HE provision for the whole institution?

### **PGR, QR and I&E Funding**

19 PGR training funding is allocated to HEIs with Units of Assessment (UoAs) submitted to the 2008 RAE where the UoA has 3 or more classified FTE Category A staff and meets a combined quality and volume threshold. It is allocated using data from the HESA student record. The fields and criteria used to extract the data from the record are detailed in the Higher Education Data Requirements circular (latest version - HEFCW circular W11/05HE). Testing of the systems and processes used to record data relating to PGR students on the HESA return should aim to answer the following questions (in addition to those listed in paragraph 18 for HESA returns):

#### **HESA returns:**

- Are quality checks carried out on individualised data for data fields used in calculating PGR funding (e.g. fundability status is correct; UoA is correct)?
- Are the HEFCW confirmation reports checked against data submitted to HESA to ensure the HEFCW reports are accurate according to HEFCW criteria?
- Where errors were identified in prior returns, by HEFCW, HESA or the institution, through audit or otherwise, particularly those which led to reductions in PGR funding, have processes been implemented to address these data errors?
- Where errors have previously been identified in PGR data, are the PGR data checked prior to final submission of data to HESA to confirm that the error has not reoccurred?

20 QR funding is allocated only to those HEIs with UoAs submitted to the 2008 RAE where the UoA has 3 or more classified FTE Category A staff and meets a combined volume and quality threshold. 2011/12 funding was allocated using data from the 2008 RAE and the 2010/11 Research Activity Survey (**RAS**) (HEFCW circular W10/39HE). 2008 RAE data are not included in the scope of the audit. The RAS will no longer be collected

in 2011/12 and so is no longer in the scope of the audit. However, data relating to charity income will still be collected in 2011/12, with guidance being issued in November 2011 and so testing of the systems and processes that will be used to return charity income data should aim to answer the following questions:

- Is the HEFCW guidance for the return of charity income related data being utilised and adhered to, in particular, have any changes from the guidance relating to charity income on the previous RAS been noted and appropriately implemented?
- Are data on the records system validated (e.g. is there a reconciliation of the charity income data with the information disclosed in the audited financial statements and is this reviewed and approved by an appropriate person)?
- Is the method of extraction of data used to make the return documented?
- Is there an adequate audit trail to confirm that the data extraction method is being applied as documented?
- Are details of any manual amendments documented, with justification and/or appropriate authorisation of the changes?
- Is a copy kept of the data taken from the system to make the return?
- Is the verification approved and signed off by an appropriate person?
- Is the return scrutinised before submission by suitably experienced members of staff other than those compiling the return?
- Is a summary report of the data submitted presented to the institution's senior management team (e.g. charity income by UoA with comparisons to prior years and/or other returns)?
- Is there a suitable process in place to ensure that staff who provide information (e.g. in departments) and staff compiling the return liaise as necessary to ensure that accurate information is included in the return?
- Is there evidence that validation and credibility checks are completed before returning data (e.g. comparing data to returns made in the previous academic year)?
- If the institution has recently been formed from a merger are the data systems in place sufficiently integrated to enable the institution to make a return for the whole institution?

21 I&E funding is allocated to HEIs only and is allocated using data returned on the **HESA staff record**, **HESA student record**, the HESA HE Business and Community Interaction (**HEBCI**) survey (coding manuals available on the HESA website [www.hesa.ac.uk](http://www.hesa.ac.uk)) and data from other sources. The data used in the allocation are described in more detail in Annex A of HEFCW circular 'Innovation and Engagement Funding Arrangements 2011/12 to 2013/14', W11/10HE. The systems and processes used to make returns to HESA and the HEBCI survey for data

used in funding are included in the scope of the audit. Testing of the systems and processes used to make these returns should aim to answer the following questions:

**HESA staff record** returns:

- Do the controls include quality checks on individualised staff data prior to submission to HESA?
- Is there evidence that the check documentation produced by the HESA data returns system after committing data is scrutinised, and that any resulting issues are addressed?
- Is a copy kept of the final data submitted to HESA?
- Where errors were identified in prior returns, by HEFCW, HESA or the institution, through audit or otherwise, have processes been implemented to address these data errors?
- Where errors have been identified in prior returns are the relevant data checked prior to final submission of data to HESA to confirm that the error has not reoccurred?
- Are the staff resources available, taking into consideration experience and expertise, adequate to ensure that the data return is accurately prepared?
- Is the documentation of the system and processes and the staff resource sufficient to ensure that accurate data returns could be prepared even in the absence of some key staff?
- Is there a risk register in place and are the risks relating to the compilation of accurate data returns, and related controls to manage these risks, adequately assessed and documented together with details of planned action to be taken, where relevant, to strengthen the existing controls?
- Are returns scrutinised before submission by suitably experienced members of staff other than those compiling the return?
- Is a summary report of the data returned to HESA presented to the institution's senior management team (e.g. numbers and FTE of staff by function, mode and terms of employment with comparisons to prior years and/or other returns)?
- If the institution has recently been formed from a merger are the data systems in place sufficiently integrated to enable the institution to make a HESA staff record return for the whole institution?

**HEBCI survey** returns:

- Are HEBCI survey definitions and guidelines utilised and adhered to?
- Are validation and credibility checks carried out before returning data (e.g. comparisons with previous year's data)?
- Do the validation checks include a reconciliation of the income data with the information disclosed in the audited financial statements?

- Are the methods and processes used to collate and extract data documented?
- Is there an adequate audit trail to confirm that data extraction methods are being applied as documented?
- Is a copy kept of the final data submitted?
- Are the staff resources available, taking into consideration experience and expertise, adequate to ensure that the data returns are accurately prepared?
- Is the documentation of the systems and processes and the staff resource sufficient to ensure that data returns could be prepared even in the absence of some key staff?
- Is there a risk register in place and are the risks relating to the compilation of data returns, and related controls to manage these risks, adequately assessed and documented together with details of planned action to be taken, where relevant, to strengthen the existing controls?
- Are returns scrutinised before submission by suitably experienced members of staff other than those compiling the return?
- Is a summary report of the data returned presented to the institution's senior management team (e.g. the items of data used in calculating the I&E funding with comparisons to prior years and/or other returns)?
- Is there a suitable process in place to ensure that staff who provide information (e.g. in departments) and staff compiling the return liaise as necessary to ensure that the most up to date information available relating to the survey period is included in the return?
- Are processes used to calculate estimates reasonable and documented, and is their reliability tested?
- If the institution has recently been formed from a merger are the systems in place sufficiently integrated to enable the institution to make a HEBCI survey return for the whole institution?

### **For our Future indicators**

22 The systems and processes used to return data used in the monitoring of the For our Future indicators, for HEIs only, are within the scope of the audit for the following set of indicators:

- Communities First;
- Module completion rates;
- Welsh medium;
- Overseas students;
- Part-time students;
- Knowledge transfer.

More information about the For our Future strategy and the indicators is in HEFCW's Corporate Strategy, which can be found on the HEFCW website under 'Publications', 'Corporate Documents'.

23 The fields and criteria used to extract the data from the HESA student record, the HESA HEBCI survey and the HESA finance statistics return are detailed in the Higher Education Data Requirements circular (latest version - HEFCW circular W11/05HE). Testing of systems and processes used to return data that are used in funding (see paragraphs 18 and 21) will cover most of the testing appropriate for data used in monitoring the indicators. In addition, testing should aim to answer the following questions:

**HESA returns:**

- Do the controls include quality checks on individualised data prior to submission to HESA, in particular for data fields used in monitoring (e.g. checks that the module completion status is recorded and is correct; that the student's domicile is correct; that the mode and level of study are correct)?
- Where errors have previously been identified in data used for monitoring, by HEFCW or the institution, have processes been implemented to address these data errors?
- Where errors have previously been identified in data used for monitoring, are the data checked prior to final submission of data to HESA to confirm that the error has not reoccurred?

**Data returned on fee plans**

24 The systems and processes used to monitor targets for activities supported through new fee income, reported in Section 7 of each institution's fee plan for 2012/13, are within the scope of the audit. The processes and methods for calculating the average fee figure and the new fee income figure returned on the fee plan are also within the scope of the audit. Both HEIs and FEIs with approved fee plans are included.

25 Testing of the systems and processes used to for setting and monitoring targets and calculating the average fee and the new fee income should aim to answer the following questions:

- Is there a process in place to monitor targets set in the fee plan in Section 7 'Activities supported through new fee income'?
- Has the monitoring process, including the methods and processes used for obtaining or calculating figures used in the targets, been documented and is it accessible by all staff who need to use it?
- Are any methods used to calculate figures used in monitoring targets reasonable?

- Is there a risk register in place and are the risks associated with not meeting the targets adequately assessed and documented together with details of planned action to be taken?
- Has the method of calculating the average fee per full-time undergraduate student returned in Section 1 of the fee plan been documented and is it reasonable?
- Has the method of calculating expected total new fee income returned in Section 6 of the fee plan been documented and is it reasonable?

## **Interpretation and Guidance**

- 26 Auditors should familiarise themselves with the latest, at the time of audit, HESES, EYM, RAS, HEBCI survey and HESA guidance and the fee plan process and guidance. Some of the publications will be updated after publication of this circular and auditors should pay particular attention to any changes made to the data collected that imply changes to the way in which systems and processes work and assess whether institutions have made or intend to make appropriate adjustments. Between the publication of this circular and the deadline for submission of internal audit reports, the data requirements circular (early 2012) and HESES (October 2011) will have been updated. It should be noted that there will no longer be a RAS survey but that charity income data to be used in QR funding will have been collected.
- 27 Any further clarification relating to the guidance for making HESES, EYM, charity income, HESA/LLWR and HEBCI survey returns or relating to fee plan guidance can be obtained from HEFCW.

## **Open University in Wales**

- 28 HEFCW has responsibility for funding relating to teaching at the Open University (OU) in Wales. Teaching funding allocated to the OU in Wales was ringfenced until 2009/10 but is now calculated using the same funding methodology as other HEIs. As in previous years the systems and processes used to compile data returns to HESA and HEFCW that are used in the calculation of teaching funding are included in the scope of the internal audit. In addition, the OU in Wales is included in the I&E funding allocations from 2011/12 onwards and in the monitoring of the For our Future indicators and so the systems and processes used to compile data returns to use in I&E funding and for monitoring For our Future indicators are included in the scope of the audit. The OU in Wales does not currently receive PGR or QR funding from HEFCW and did not submit a fee plan relating to full-time undergraduate and PGCE fees in 2012/13.

## Reporting

- 29 The annual internal audit plan should include a review of the controls in place to manage the risks relating to the submission of accurate data returns and data returned in and used to monitor the fee plans. This review should include an assessment of the adequacy of the controls documented in paragraphs 14 to 25 above as relevant. However, the precise scope of the internal audit work completed will be determined by each institution's assessment of the risks relating to their institution's data return and it is expected that the internal audit work will focus on the higher risk aspects of the systems and processes, for example, issues identified in previous audits, or aspects not covered in previous audits.
- 30 The timing of the internal audit work should be arranged so that the internal audit report can be completed and presented to the institution's Audit Committee before a copy of the report is sent by the institution to HEFCW by 31 May 2012.
- 31 The internal audit report should include
- A description of the objectives of the audit and the risks and controls included within the scope of the audit;
  - Details of the audit work completed;
  - Details of issues identified during the audit and the recommendations made to address these;
  - A consideration of the recommendations made in previous audit reports and the extent to which these have been effectively implemented;
  - Management's responses to the report's recommendations and the agreed timescales for their implementation;
  - Details of any disagreements or recommendations which were not accepted by management;
  - A clear conclusion and overall opinion as to the adequacy and effectiveness of the controls in place to manage the risks relating to the accuracy of the data returns included within the scope of the audit.
- 32 If the internal audit report's overall conclusion, or the conclusions relating to the adequacy of the design of the system of control and the application of those controls, provides a negative opinion (e.g. limited or no assurance, unsatisfactory or inadequate controls) details of the significant exceptions giving rise to this opinion should be provided in the report. In these circumstances the institution's Audit Committee and HEFCW should be informed of the relevant issues as soon as possible.
- 33 The institution's Audit Committee should include reference in its annual report to the reports and assurances that it has received during the year in respect of the controls in place to manage the quality of data returns made

by the institution for funding or monitoring purposes and the controls relating to data returned in and used to monitor the fee plans.

- 34 An electronic copy of the audit report and any associated correspondence should be sent **by the institution** to [hestats@hefcw.ac.uk](mailto:hestats@hefcw.ac.uk) no later than **31 May 2012**. Note that we do not require a paper copy to be sent to us.
- 35 Details of the internal audit work and reports completed since the last external audit of the funding data should be retained and be made available to the external auditors of the data returns during their visits. The HEFCW Audit Service may also wish to review these reports and related papers during their periodic visits to the institution.

### **Further Information**

- 36 Further guidance and information is available from Hannah Falvey (029 2968 2240, [hestats@hefcw.ac.uk](mailto:hestats@hefcw.ac.uk)).

## **HEFCW Recurrent Funding**

### **Funding for Teaching 2011/12**

- 1 The current HEFCW funding methodology is based on a standard Unit of Funding (UoF) for each subject area. The majority of funding for teaching, other than for quota provision (i.e. provision other than full-time ITT (QTS), or full-time undergraduate medicine and dentistry), is allocated by means of a formula which consists of two elements – core and addition. In 2011/12, two further elements were included, bids and reward. These were awarded as part of the institutional responses to the regional strategy for HE in Wales. More information about these two elements can be found in HEFCW circular W11/03HE, 'Regional Redistribution Exercise 2011/12'. Funded credit values associated with core funding are based on the number of fundable credit values after adjustment for non-completions and the number of funded credit values, for the previous year. Core numbers in each institution are maximised by making adjustments as far as possible in line with the pattern of the current year's enrolment; addition numbers are based on policy priorities.
- 2 In order to calculate UoFs, the UoFs for the previous year are adjusted by an efficiency gain and increased by GDP.
- 3 HEFCW makes two other types of payments: per capita and premium. All but the part-time premium are based on the numbers of enrolments achieved the previous year. Details of criteria for inclusion are given in Annex B.
- 4 Per capita payments recognise the fixed costs attached to all students, those of enrolment, records etc. An amount per undergraduate and postgraduate enrolment is made, subject to a minimum study requirement of 10 credit values.
- 5 The part-time premium is calculated as a percentage applied to the unit of funding for modules taken on a part-time basis. The percentage was 5 per cent in 2011/12.
- 6 Premium payments based on HESA data operate in three areas: access and retention, disability and Welsh medium provision.
- 7 The access and retention premium is an amount per undergraduate enrolment for students from low participation areas plus an amount per undergraduate enrolment for students from Communities First areas that are equivalent to the 100 most deprived areas, the 32 pockets of deprivation, six imaginative proposals and the new areas added by WG in 2007/08, subject to a minimum 10 credit value study requirement; plus an amount per undergraduate enrolment for students eligible for a full Assembly Learning Grant. The amount per enrolment depends on several factors including whether the institution has successfully retained the

student and the proportion of Welsh domiciles at the institution who are from Communities First areas.

- 8 The disability premium is an amount per enrolment for students in receipt of DSA, subject to a minimum 10 credit value study requirement; and the Welsh medium premium is a weighting on the funding attracted by modules undertaken through the medium of Welsh.
- 9 Auditors should note that the teaching funding methodology is changing for 2012/13. A consultation circular (HEFCW circular W11/28HE) was issued in July with responses made in September. The outcomes of the consultation are being published in late October

### **Funding for Postgraduate Research Training 2011/12**

- 10 HEFCW introduced its current PGR training funding allocation method in 2000/01. Grants are calculated using the institution's confirmed postgraduate research enrolment figures from the previous year. Grants to institutions are calculated by applying a UoF to postgraduate research enrolments for particular groups of subjects. Qualifying enrolments are those in UoAs submitted to the 2008 RAE where the UoA has 3 or more classified FTE Category A staff and meets a combined volume and quality threshold, within prescribed time limits for study: 3 and 2 years for a full-time PhD and MPhil respectively; 6 and 4 years for a part-time PhD and MPhil respectively.

### **Funding for Research 2011/12**

- 11 The method of allocating QR funding changed in 2009/10. QR funding is allocated to institutions with UoAs submitted to the 2008 RAE where the UoA has 3 or more classified FTE Category A staff and meets a combined volume and quality threshold. For 2011/12 funding, data were taken from the 2008 RAE and from the 2010/11 RAS.
- 12 QR funding has three elements: a main allocation; a charity income allocation; and a rewarding excellence allocation. The main allocation is allocated by apportioning the available funding in proportion to research volume weighted for quality and subject. Previously calculated relativities between research costs are used for different subject areas. The parts of the volume measure relating to research students (RS), research assistants (RA), research fellows (RF) and charity income (CI) are weighted in the volume measure (weights: RS=0.15; RA=0.1; RF=0.1; CI=0.25/25,000) and are an average over two years of data taken from the 2009/10 and the 2010/11 RAS survey. Research active staff (RAE category A) have a weighting of 1.0. Figures for research active staff are taken from the 2008 RAE and are not updated each year. The charity income element is allocated pro rata to the average charity income. The rewarding excellence element is allocated pro rata to subject weighted volume in the 4\* quality level. Total funding is calculated as the sum of the three elements.

- 13 An additional amount of ringfenced funding was also allocated for 2011/12 for the purpose of supporting scholarly publications and related activities in the fields of Welsh culture, history and literature.

### **I&E Funding 2011/12**

- 14 A new cycle of I&E funding began in 2011/12. The method for allocating I&E formula funding is similar to the method used in previous cycles though from now on, funding will be recalculated in each year of the cycle using the latest data available. The allocation of foundation funding has ceased altogether.
- 15 Funding allocated through formula is broken down into three elements. The first element is allocated in relation to Potential and Capacity Building, allocated on the basis of staff FTE taken from the HESA staff record and part-time undergraduate credits taken from the HESA student record. The second relates to Rewarding Performance (income related), allocated on the basis of data taken from the HEBCI survey 2009/10 relating to contract research income; income from intellectual property rights; income for regeneration; and income from collaborative research activity. The third element relates to Rewarding Performance (non-income related), allocated on the basis of data taken from the HEBCI survey 2009/10 relating to number of graduate start-ups; number of licences; number of active spinouts; number of consultancy contracts; number of facilities and equipment related services contracts; total learner days for CPD/CE courses; and academic staff time expended on public engagement activity; data taken from the HESA student record relating to the number of industrial placements and the number of ERASMUS outgoing exchange students; and the number of A4B engagements (WG), a weighting based on engagement rates taken from the in-curriculum entrepreneurship (National Council for Graduate Entrepreneurship (NCGE)) survey, and a weighting based on the percentage of target of SMEs engaged in GO Wales 5 achieved. However, data relating to A4B activity, the NCGE survey and GO Wales 5 are outside of the scope of this audit.

### Eligibility Criteria for HESA/LLWR based data used in funding

- 1 For all student based data, students should be active within the reporting period and not incoming exchange. In addition, for per capita, premium and PGR training funding allocations and for the part-time provision used in calculating I&E funding, students should be fundable by HEFCW.

#### Per capita funding criteria for inclusion

- Student is studying at least 10 credit values.
- Student is studying at undergraduate or postgraduate taught level.
- Each student counted only once irrespective of the number of courses the student is studying.

#### Access and retention premium criteria for inclusion

- Student's postcode is in a low participation area and/or a Communities First area.
- Student studying at least 10 credit values.
- Student studying at undergraduate level.
- Each student should be counted only once irrespective of the number of courses the student is studying.

#### Disability premium criteria for inclusion

- Student is in receipt of DSA.
- Student studying at least 10 credit values, or 8.3% FTE for postgraduate research students.
- Student studying at undergraduate or postgraduate level.
- Each student should be counted only once irrespective of the number of courses the student is studying.

#### Welsh medium premium criteria for inclusion

- Student studying at undergraduate or postgraduate taught level.
- Student studying at least 2 credits of a module through the medium of Welsh.
- Student not studying on a Welsh language or literature module.

#### Postgraduate research training funding criteria for inclusion

- Students studying for postgraduate research qualification.
- Enrolments must be in UoAs submitted to the 2008 RAE where the UoA is included in QR funding calculations.
- Funding is limited to 3 years for a full-time programme of study leading to a PhD and 6 for a part-time programme. Limits for MPhil programmes are set pro-rata to those for PhDs. Funding against transfers from MPhil to PhD is available only for the balance of time up to the limits for PhD.

- Each student should be counted only once irrespective of the number of courses the student is studying.

### **I&E funding criteria for inclusion (students)**

- Credit values associated with part-time undergraduate students taking more than 10 credit values.
- Students on an industrial placement for whole or part of the year.
- Students on an ERASMUS/SOCRATES outgoing exchange programme for whole or part of the year.

### **I&E funding criteria for inclusion (staff)**

- Managerial, academic, professional, technical and administrative staff.
- Staff with an active contract in the academic year.
- Excludes atypical staff.

### Eligibility Criteria for HESA based data used in For our Future indicators

- 1 For all student based data used for monitoring, students should be active within the reporting period, not dormant, sabbatical or writing up, not primarily studying outside the UK and for all but the overseas indicator, not incoming exchange. All data are taken from HESA student, HEBCI and finance statistics returns. Students and/or provision, spin out data and income data at HEIs are counted towards the monitoring of the indicators based on the following criteria:

**Communities First** – ‘A 10% rise in the proportion of all Welsh domiciled students studying HE courses at HEIs and FEIs in Wales who are domiciled in the Welsh Communities First areas from 15.6% in 2008/09 to 17.2% in 2012/13’

- Student’s postcode is a valid postcode mappable to a ward in Wales (and in a Communities First area to be counted in the numerator).
- Each student counted only once irrespective of the number of courses the student is studying.

**Module Completion Rates** – ‘The module completion rate for undergraduate enrolments in Welsh HEIs to increase by 2.7% from 87.6% in 2008/09 to 90% in 2012/13’

- Student studying at undergraduate level.
- The module is expected to have an outcome (continuing from the previous reporting year or contained within the reporting year) and is taken on a for credit basis. Completed modules are identified as those completing with or without gaining credit.

**Welsh Medium** – ‘The number of Welsh domiciled students at Welsh HEIs and FEIs undertaking some element of their HE course through the medium of Welsh will rise from 4,586 in 2008/09 to 5,509 in 2012/13’

- Student’s postcode is a valid postcode mappable to a ward in Wales.
- Module is not a module taken in the previous academic year for which only the outcome is included.
- Students taking some element through the medium of Welsh identified where at least one module has a greater than zero percentage through the Welsh language.
- Each student counted only once irrespective of the number of courses the student is studying.

**Overseas Students** – ‘The percentage growth in the number of overseas students attending HE courses in Welsh HEIs to be equal to, or greater than, the comparable figure for UK HEIs, excluding London and the South East of England’

- Student’s domicile is outside the EU (including incoming exchange).

- The Channel Islands and Isle of Man are not counted as overseas for the purposes of this target.
- Each student counted only once irrespective of the number of courses the student is studying.

**Part-time Students** – ‘The total number of part-time students studying HE courses in HEIs and FEIs in Wales will rise from 54,714 in 2008/09 to 59,000 in 2012/13’

- The student is part-time.
- Each student counted only once irrespective of the number of courses the student is studying.

**Knowledge Transfer** – ‘The number of spin out companies still active produced from HEIs in Wales which have survived at least three years will increase by 10% from 252 in 2008/09 to 277 in 2012/13’

- Spin-outs with some HEI ownership, spin-outs which are not HEI owned, staff start-ups and graduate start-ups taken from part B, Table 4, item 4b of the HESA HEBCI survey.

### Recommendations from previous audits

- 1 The following provides a summary of the recommendations made on the internal audit reports submitted to HEFCW in May 2011 and the external audits carried out in 2010. Where a recommendation relates to more than one stream of data, the recommendation has been included under all relevant streams. The same or similar recommendation made at more than one institution is included only once. Findings for past audits can be found in previous versions of these notes.

### HESES/EYM returns

- The University should review modules to determine whether their ASC allocations are correct in accordance with the HEFCW HESES guidance and if necessary seek clarity from HEFCW.
- The University should not assume that all full-time and part-time students eligible to resubmit actually do so. In accordance with HEFCW guidance, for both full-time and part-time students, information from the previous year should be utilised to estimate the numbers of students who apply to resubmit and actually go on to do so and therefore complete, to estimate the number of completed/non-completed credit values.
- The University should investigate, substantiate, and confirm the reason for the zero credit values not completed being returned on the EYM 2009/10 return for FT UG students in ASC 9 (Humanities) and whether this is correct or an error in the compilation of the returns.
- The University should not aggregate credit values, credit values forecast and credit values not completed, and should return each set of individual data in the appropriate column on the EYM and HESES returns.
- The process used to calculate estimates included in the returns should be documented to include a clear audit trail of any calculations used in deriving these estimates and the rationale explaining any manual adjustments made in arriving at the final figures.
- The University should consider whether basing the compilation of the HESES and EYM returns on individualised student data would bring about an increase in data quality.
- Evidence of appropriate verification should be retained by means of a signature on a hard copy of the verification report. This should be performed by a senior member of the Registry Team.
- A set of consolidated procedure notes should be created for the HESES and EYM returns.

- JACS codes should be assigned on data entry. However, when instances occur where JACS codes have not been assigned, sufficient evidence should be retained to support the code that is entered on validation.
- The data returns procedure should be updated periodically in order to reflect any new HEFCW guidelines for the HE data return. This procedure should be made available to all those who require it.
- The institution should review whether a control sheet would be beneficial. This sheet should reflect the checks and authorisations that have been made prior to the return being sent.
- HE module class lists should be returned by departments to the Central Registry department without exception to validate that the students assigned to courses are an accurate reflection.
- A mechanism should be introduced to ensure that summary reports relating to all data returns are submitted to the Core Executive annually for information following the submission to funding bodies.
- The institution should retain detailed reports at the individual student level from the EYM algorithm report, to be run at the time of compilation to support the specific entries returned on the EYM survey, in order to demonstrate a direct trail for audit purposes of courses and enrolments/credit values.

### **HESA student record/LLWR**

- The institution should retain the final version of the data which has been verified by the HESA systems to ensure that it holds the return actually submitted to HESA.
- The University should ensure the correct assignment of MODOUT and FUNDCOMP in future returns.
- Validation reports should be produced for investigating: records relating to students whose programmes span more than one academic session; students undertaking both a full-time and part-time programme; students undertaking two full-time programmes of study; and students registered on more than one block in the same academic session.
- The records with potential errors should be investigated and appropriate action taken to ensure that data held on the system is accurate.
- Written evidence confirming the student has withdrawn/been de-registered should be accessible on the system online. The procedure where students can enrol without providing an address should be reviewed as this could reduce the widening access funds the University is entitled to. A check procedure should be introduced to ensure that when a student changes course the postcode is copied to the new record.

## Annex D

- The institution should ensure that the process for calculating the proportion of modules taught through the medium of Welsh is documented, in line with the requirements of the HEFCW guidance.
- Innovative solutions should be sought by the institution to ensure that the labour intensive sorting, filing and storage of manual enrolment forms is eradicated. A paperless system whereby the date of enrolment is recorded on the student records system and the accuracy of registration is subsequently confirmed electronically by the student themselves is suggested by the auditor.
- The anomalies between the DSA recorded on the two records within the student records system should be investigated so that understatements in disability premium entitlement can be avoided in future.
- The accuracy of DSA information should be checked on a sample basis by the Student Disability Office prior to the annual submission of student data to HESA.
- It should be ensured that the mainstream funding activity as stated on the student enrolment form is entered onto the system as the data team enter the student details.
- Evidence of the check of the LLWR data against the EYM returns should be formally documented and retained.
- An email should be sent to relevant staff to remind them that, when recording student enrolment information on the database, care should be taken to ensure that the correct date is used as the enrolment date.
- The institution should introduce a box on the enrolment form so that a student can positively confirm that they have no qualifications on entry.
- The institution should introduce controls over the information provided by the students who self declare that they are in receipt of DSA by requiring those students to provide evidence of their claim. The institution should verify the student information each year and ensure that evidence is available to support the claims annually, or if not that the system is amended to reflect the change in circumstances where a student no longer claims to be in receipt of DSA.
- The institution should review the procedure for recording student withdrawals and suspensions to ensure that the system is updated as soon as a withdrawal or suspension is notified.
- Where students report that they hold one or more qualifications of equal value, a control should be setup so that the person responsible for entering the data into the institution systems brings it to the attention of the IS Manager and a decision is made and documented to confirm the reason for the choice of

qualification (traditional or non-traditional) being recorded as the highest level of qualification.

### **RAS**

- It should be ensured that all relevant data is entered onto the RAS return. Where the information is missing this should be followed up to determine whether the information is required for the purpose of the RAS return. The information should subsequently be included on the Research Management database.
- The Research Office should produce a set of internal procedural documents to support the completion of the RAS. The documentation should be kept up to date with changes in the reporting requirements and be available to all relevant staff.
- The University of should seek clarification from HEFCW to confirm whether the method currently in use to calculate FTE is appropriate.
- To increase the accuracy of the return, any future submissions of the RAS should include the cumulative FTE associated with individuals who are both research assistants and research students.
- The process of compiling and verifying the RAS should be formally documented and a full audit trail should be formally recorded within a working paper file detailing the source of each entry on the return.
- The University should establish which committees should be presented with summary RAS reports.

### **HESA staff record**

- The reports generated following amendments made on the HR system should be retained as evidence.
- All final returns should be scrutinised by an appropriate level of staff prior to submission to ensure they are correct and to meet HEFCW requirements.
- The University should ensure that all staff, including casual workers, feed into the HESA staff return.

### **HEBCI Survey**

- Continued effort should be made to ensure that control is put in place for the approval of the electronic HEBCI return prior to its submission to HESA.

## Annex D

- The institution should document how the calculation of estimates for the HEBCI survey are carried out.
- Training should be provided so that an additional officer would be able to prepare the HEBCI survey returns.
- It is recommended that the risks relating to the compilation of accurate data returns are considered. The controls in place to manage those risks need to be identified and should be documented together with, if appropriate, any action plans for strengthening controls together with the officers responsible.
- The importance of a completing an accurate HEBCI return needs to be impressed upon senior officers.
- The Research Officer should consider developing a Gant Chart to assist with time management required to obtain and collate the variety of data required for the HEBCI survey return.
- To enable a suitable report to be developed that provides listings of research projects by HEBCI category, staff should discuss how the research projects information currently recorded within the projects accounting module can be improved. The current facility within projects accounting should be consistently applied to identify research projects with funding from SMEs, non-SMEs and non-commercial partners.
- Wherever possible, only cash income received from non-academic funders during the year should be returned in Table 1 Header 1, to meet the requirements of the HESA guidance. Unless certified confirmation can be obtained from non-academic funders of the 'in-kind' benefit actually provided during the year, the appropriate Table 1 Header 1 column should be left blank.
- A review of processes and definitions should be undertaken, and guidance notes written, for the return of consultancy/services rendered on the HEBCI survey.
- A specific report separate from consultancy services should be developed to demonstrate more fully the breadth of the University's industrial engagement. The cost centres and income account codes that can be used to account for all sales invoices raised by Schools for facilities and equipment related services should be restricted.
- The need to make amendments to data for inclusion in the HEBCI survey should be clearly explained.
- Target dates should be established for the implementation of the recommendations to ensure that data collection is facilitated for future HEBCI survey returns.

- It would be useful to cross-reference the supporting documents to the specific table header codes. The reasons for data amendments should be recorded. It may be of assistance if a work paper template were to be developed analysed by Table 4 header code template onto which could be recorded the source data and any amendments necessitated with explanations.
- The revision to the methodology for capturing and recording social, community and cultural engagement data should seek to ensure that all events falling within the HEBCI survey Table 5 categories are recorded in the database, enabling the development of a suitable summary report to report data in HEBCI survey Table 5 format.
- That the University review the HEBCI survey guidelines to ensure that income is not double counted on the HEBCI survey and that the correct amount of income is recorded for each project.
- That the University review the method by which income from collaborative research is returned under the HEBCI survey guidelines to ensure it is in accordance with the prescribed guidelines and that information is retained in relation to all contracts.
- That the institution prepares a report at the time of compiling the HEBCI survey return to reconcile those entries to the amounts included in the statutory audited accounts.

### Other

- It is recommended that sufficiently detailed procedure documents for the HESSES, HESA staff, HESA student, HEBCI survey, RAS and EYM returns are drafted to ensure that accurate data returns could be prepared in the absence of some key staff.
- The forms used for withdrawals and transfers should be revised to ensure that they reflect current practice and the signatories required to authorise the form.
- The University should ensure that the meeting attendance list of the Award/Progression Board is signed by all parties and annotated appropriately where a signature is not required.
- The risk relating to dependence on a key individual to complete data returns and the lack of documented procedures to mitigate their absence should be considered for inclusion on the risk register.
- In line with best practice, job descriptions for the staff members involved with HE provision should be subject to regular review to ensure that identified duties and reporting lines remain relevant.

## Annex D

- The University should ensure that a clear audit trail and supporting documentation are retained and checked for completion of all data returns, especially where the data relate to previous financial years.
- Procedures in place for the filing of manual enrolment forms should be reviewed to ensure that all manual enrolment forms are filed logically and promptly and any historic enrolment forms are filed as soon as possible.